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A Century of Farming

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a century of *FARMING*

by I. W. Arthur

WOULD YOU like to have your farm stay in the family for 100 years?

Most families would. But it hasn't happened to many of them. A search was made during Iowa's centennial celebration. Of all the farm families in Iowa, only 160 were found that had owned the same farm for 100 years.

Ask a farmer why he wants his land to stay in the family and he is likely to get sentimental. First of all, he is proud of the old home. He has a strong love for the land. He believes that it is a good farm and a good home. It is only natural that he should want his children to enjoy it after him.

Some farmers think of the home farm as a symbol of family unity. They like the idea of having the family together for reunions at the old homestead. Some farmers have relatives buried on their land. For these reasons and many others, farmers hate to see their land go into the hands of strangers.

But it is not an easy thing to hand a farm down to the next

generation. Farmers who try it run into all sorts of tough problems. The truth is that not many farms stay in the same family for long. Many farms change hands each year. Only about one out of four is kept in the family.

Today, however, more farmers than ever want to hand their farms down to their children. That is because so many farmers are in position to retire. This is all very good—except for one thing. Families often get into trouble when it comes time to pass property on to the children. In most families these problems come up every 25 or 30 years. The happiness of the family and the welfare of the community depend on how well these matters are handled.

To Keep Out of Trouble

There is one good way to keep out of trouble. A simple family understanding should be made while the parents still are sound of mind and body. The experiences of the 160 families make this clear. This is true whether a farm is transferred by

outright gift, as a conditional gift or by some kind of sale. The family should hold a conference and work out an agreement. This should be done well ahead of the time at which the farm is to be transferred. Then the entire family is satisfied, and the farm is kept in the family.

Which child should be given first chance at the farm? Usually the youngest son to stay home and farm is offered this opportunity. This was the case most often found in the 160 families.

Here are some of the common ways in which farms are transferred:

Where no will is made, the laws of the state are followed in dividing the property. In this situation each child is given an equal share. Even if one child has added to the value of the property, he is given no more than the others.

Under a will the property is divided among the children according to the parent's wishes. Often the parent is so interested in treating each child "equally" that he is likely to overlook treating each one "fairly." He wishes

to avoid trouble between the children so he usually ends up by dividing the property evenly between them.

Estate for Life

Sometimes a life estate is willed to the surviving parent or to one or more children. This party is allowed the benefits of the farm as long as he or she lives. Then ownership of the farm goes to some other party named in the will. Sometimes, however, a life estate will backfire and work out in an unexpected manner. Here is an example:

A Tama County farmer drew up his will so that his wife would have a life estate in the farm as long as she lived. But he wanted his oldest son to live on the farm and take over full ownership when the mother died. So the oldest son and his family lived on the farm. He made many improvements while he operated the farm, but he died early in life. He left behind him his wife and a son who was now of farming age, also his aged mother.

But the aged mother did not like the oldest son's wife. The mother still had control of the farm through her life estate and forced the daughter-in-law and her son to leave the farm. This was against the wishes of both the father and son who operated the farm and had continued to build it up.

Other disadvantages come in when the person managing the farm under a life estate has little interest in the land and lets it go to ruin.

Simplest Method

A farm may be transferred by a simple family understanding as to who will get the farm. If this is clearly understood while the parents are living and if proper steps are taken, there should be no trouble. It may be that one son is to get the farm because the parents have helped to start the other children in other lines of business. If this is the general family understanding, and if it is put into writing, everything should work out smoothly.

Sometimes a farm is transferred as a gift from a living parent or grandparent. In this way the owner gives over his farm before he loses his health and judgment, and the child is given a chance at a good start in life. The gift is often made simply with the understanding that the child will take care of the former owner during his life. This is unsafe. There should be a legal instrument on record to show in detail exactly what the obligations are.

The farm may be transferred by an actual sale to a child by a living parent or grandparent. The sale is often made at less than the market price in order that the farm may stay in the family. The sale may be with or without a mortgage. If it is sold for less than the market price, savings can be made in the income and inheritance taxes.

What to Do?

What are the best rules to follow? We asked this question of the 160 Iowa farm families who have kept their farms within the family for more than a century. They did not agree on any one method of transferring ownership. This is because each family faces different problems. But on several points they did agree.

When passing a farm from one generation to the next, these things should be kept in mind:

- The parents should be well provided for when they retire.

- The child who takes over should know at an early age the condition under which he can become owner of the farm.

- The children need not always be treated equally. Sometimes because of hard work and other contributions, certain children deserve more than others.

- Provision should be made so that the child operating the farm may eventually own the farm. Sometimes parents refuse to make definite agreements. Then a child may operate and improve the farm for many years and still not gain ownership when the parents pass on.

- A sharp distinction is drawn between the transfer of a deed by

gift or sale made while the parents are alive and a will which is subject to change unless accompanied by a land transfer contract to prevent such change.

- If the farm is in an estate, it should be operated so the land and improvements are well maintained. When in the hands of someone not acquainted with farming, the farm is likely to decline in fertility and repair.

- The arrangements should avoid excessive debt. This is a common cause of bad feeling between family members.

- The problem should be settled by combining the judgment of the older generation with the vigor and enthusiasm of the younger generation. For best results, any decision should be an "all-family" affair. If both parents and children can agree, the chances for trouble will be mighty slim.

- If the foregoing steps are followed and a good attorney is called in to reduce the agreements to legal terms, then there is an excellent chance of achieving a successful and satisfactory transfer of the farm within the family.

Many farmers do not like to think of the time when they will die. As a result they are very lax in handling property matters. This is a good way to get the family into difficulties. If you are planning to transfer your farm, remember one thing. Make your family agreements before emergencies arise if you don't want trouble.

For the country as a whole, we have been drinking about 50 billion pounds of milk a year. A 1 to 2 percent drop in this amount means quite a few pounds shifted into other uses. Dairy manufactured products will probably get more of it. Output of condensed and evaporated milk, milk powders, butter and cheese will go up as a result. Whether lower prices will follow depends upon other food prices. If meat prices remain high, milk and cheese prices may stay high, too.